



**OFFICE OF  
INSURANCE COMMISSIONER**

*In The Matter Of:*

SAFECO INSURANCE COMPANY OF AMERICA,  
SAFECO INSURANCE COMPANY OF ILLINOIS,  
FIRST NATIONAL INSURANCE COMPANY OF AMERICA,  
and GENERAL INSURANCE COMPANY OF AMERICA,

Authorized Insurers,

No. D06-380

## CONSENT ORDER LEVYING A FINE

To: Safeco Property and Casualty Insurance Companies  
Safeco Plaza  
Seattle, WA 98185

*Comes Now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following:*

### FINDINGS OF FACT:

1. Safeco Insurance Company of America, Safeco Insurance Company of Illinois, First National Insurance Company of America, and General Insurance Company of America are property and casualty insurers authorized to do business in the State of Washington and are wholly owned subsidiaries of the Safeco Corporation and are hereafter referred to as "Safeco" or "companies."
2. Between June 30, 2003, and August 18, 2003, Safeco calculated premiums charged Washington personal lines insureds using insurance bureau scores purchased from a third party vendor, Choice Point. During this time period, the scores Safeco purchased and used included as a component the number of inquiries about the consumer's credit that had been made within the last twelve months.
3. The insurance scoring model that had been filed with the OIC on behalf of Safeco by Safeco's vendor and that had been approved for use by the OIC did not contain as a component the number of consumer credit inquiries.
4. In August 2003, when Safeco discovered that the insurance scores it had been receiving from its vendor included the element of the number of credit inquiries, Safeco rescored the affected customers and Safeco insureds whose premiums had been higher due to the

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consideration of the number of credit inquiries received a premium refund. Those who had paid lower premiums due to the inclusion of the number of credit inquiries component were not billed.

5. In May of 2004, Safeco adopted an Optimum Score practice, which uses the highest credit score on file for the policy, and will not use a lower more recent credit score in calculating a customer's premium. Safeco's Optimum Score practice was not included in Safeco's filed rate manual, although the practice of using the consumer's optimum score when two or more scores were available was mentioned in the correspondence that accompanied Safeco's rate filing.
6. In 2004, the OIC received a complaint from a Safeco customer who had received an adverse action notice listing the number of credit inquiries as a factor in the customer's premium. After Safeco was notified of this complaint, Safeco discovered that it had not completely eliminated the scores which included the consideration of the number or credit inquiries and as a consequence of its Optimum Score practice, that scores containing the component of the number of credit inquiries within the last twelve months were still being used. No customer received a higher premium as a result of this error.
7. In May of 2005, Safeco on its own initiative discovered that a different credit model being used by its vendor, ChoicePoint, to obtain a score for customers who originally scored as no hits considered the number of credit inquiries within the past twelve months. In 2003, ChoicePoint had erroneously assured Safeco in writing that all credit models being used in Washington complied with Washington law. Immediately upon discovering this discrepancy, Safeco ceased its use of the credit model in question. Safeco also refunded premium to all affected customers.
8. Safeco used the insurance scoring models containing the number of credit inquiries component to set the premiums for 21,260 Washington policy holders, of whom 965 were adversely affected and received refunds totally \$170,207. An additional 149 policy holders cancelled when quoted rates that were higher due to Safeco's use of the number of credit inquiries component.

Based upon the foregoing Findings of Fact, the Commissioner makes the following:

#### **CONCLUSIONS OF LAW**

1. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a company's license.
2. Safeco's use of insurance scores that included as a component the number of recent credit inquiries about the customer violated RCW 48.18.035(3)(b).
3. Safeco's use of an optimum score practice that had not been filed and approved for use violated RCW 48.19.040.

## CONSENT TO ORDER

NOW, THEREFORE, Safeco consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of Safeco's payment of a fine and such other terms and conditions as are set forth below:

1. Safeco consents to entry of the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consents to the entry of this Order, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order;
2. Within thirty days of the entry of this Order Safeco agrees to pay to the OIC a fine in the amount of \$25,000 and to provide the OIC with a report indicating what steps Safeco has taken to prevent inclusion of such forbidden elements in the future.
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of the companies' certificates of authority and for the recovery of the full fine, including the suspended portion;

EXECUTED this 12<sup>th</sup> day of January, 2007.

Safeco Insurance Companies

By: Patty McCollum

Printed Name: Patty McCollum

Typed Corporate Title: Assistant Vice President/Compliance Director

## ORDER OF THE INSURANCE COMMISSIONER


NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Safeco Insurance Company of America, Safeco Insurance Company of Illinois, First National Insurance Company of America, and General Insurance Company of America ("companies") are ordered to pay a fine in the amount of \$25,000 and to provide a report as set forth in Consent to Order, Paragraph 2, above.
2. The payment liability and compliance obligations of the companies under this Order are joint and several.

3. The companies' failure to pay the fine within the time limit set forth above shall result in the revocation of the insurers' Certificates of Authority, and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 17<sup>th</sup> day of January, 2007.

MIKE KREIDLER,  
Insurance Commissioner

By:   
Charles D. Brown  
Staff Attorney  
Legal Affairs Division